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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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May 12, 1994

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REPLY REFER TO:

JUN 17 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Honorable Sam Coppersmith
U.S. House of Representatives
1607 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Coppersmith:

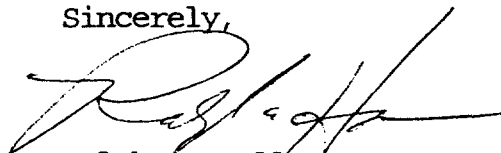
This is in reply to your letter of November 24, 1993, on behalf of the Rocky Mountain Telecommunications Association and the Western Rural Telephone Association ("the Western Alliance"), a group of telephone companies in western states. You called our attention to the comments and proposals of the Western Alliance, which you would like the Commission to consider as it implements the competitive bidding provisions of the Omnibus Budget Reconciliation Act of 1993 (OBRA). Your letter was referred to me as Chief of the Personal Communications Systems (PCS) Task Force for the Commission.

On March 8, 1994, the Commission adopted a Second Report and Order in Docket No. 93-253. That proceeding established general menu of tools designed to assist those entities, including rural telephone companies, identified by the Congress as requiring special consideration by the Commission (the "designated entities"). I am pleased to note that the Commission has adopted several of the proposals advocated by the Western Alliance.

The Commission, for example, adopted bidding credits and installment payments for use by designated entities, both of which were suggested by the Western Alliance in its comments. The Commission also stretched out its down payment requirements for designated entities, again consistent with the Western Alliance's comments.

We are confident that the measures we have adopted will help enable rural telephone companies to provide personal communications services to rural customers. We also share your commitment to the provision of equal and universal access of communications services to all Americans no matter where they live.

Sincerely,



Ralph A. Haller
Chief, PCS Task Force

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CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES

November 24, 1993

PUBLIC WORKS AND
TRANSPORTATION COMMITTEE

SCIENCE, SPACE AND
TECHNOLOGY COMMITTEE

*Off
Amador
4773*

Lauren J. Belvin, Esq.
Acting Director
Office of Legislative Affairs
Federal Communications Commission
1919 M Street, N.W. Room 857
Washington, DC 20554

Dear Ms. Belvin:

Enclosed is correspondence from the Western Alliance, a group of telephone companies that provide telephone service for Western states including Arizona. The correspondence contains several concerns the Western Alliance would like to see addressed by the Federal Communications Commission as part of implementing the Omnibus Reconciliation Act of 1993.

Please consider the Western Alliance's concerns as the FCC prepares to implement the Act.

Thank you for your prompt attention to this matter.

Very truly yours,

Sam Coppersmith
Member of Congress

SC/gh
Enclosure

WESTERN ALLIANCE

November 12, 1993

Congressman Sam Coppersmith
Washington, DC 20515-0301

Dear Congressman Coppersmith:

We are an alliance of telephone companies providing service to your constituents and others in rural communities throughout the 23 western states. In passing the Omnibus Reconciliation Act of 1993, you and your colleagues enacted certain protections for rural telephone companies and rural communities, to ensure that they would have the opportunity to participate in the personal communications services ("PCS") which are to be licensed in the very near future pursuant to the newly enacted competitive bidding procedures for radio spectrum. **YOUR ASSISTANCE IN URGING THE FEDERAL COMMUNICATIONS COMMISSION TO ADOPT THESE PROTECTIONS IS REQUESTED NO LATER THAN NOVEMBER 24, 1993.**

The purpose of this letter is to seek your assistance in urging the FCC to implement specific protections for rural telephone operations. In particular, the Western Alliance, a joint coalition of the Rocky Mountain Telecommunications Association ("RMTA") and the Western Rural Telephone Association ("WRTA"), has formulated a specific set of proposals to ensure that PCS will not be denied to rural America. We feel that these protections are especially important because of two unique problems faced by rural telephone companies in the western states:

1. Most major cities in western states are surrounded by rural areas rather than suburbs. Thus, there is a danger that the highest bid for each of the available PCS licenses will be made by a company proposing to serve a major city, leaving the surrounding rural communities unserved. However, rural areas may have the greatest need for the new services which PCS can offer, including extended medical, educational and other capabilities requiring expertise that may not be readily available in sparsely populated areas.

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2. Rural telephone companies are dedicated to serving high-cost, low population density areas. Non-telephone PCS services will target the high-volume business customers that constitute the rural telephone companies' greatest source of revenue. If rural telephone companies cannot provide enhanced PCS services to these customers, their revenue base will be severely eroded, thereby driving up costs for all rural customers (including residents), and perhaps jeopardizing basic telephone service.

We wrote to you in September about these concerns, and wish to thank you for looking into this matter earlier. Due in large part to the efforts of concerned members of Congress, the FCC has proposed to set aside two of the smaller blocks of PCS spectrum for the groups which Congress has identified as entitled to protection in the PCS licensing process (i.e., rural telephone companies, small businesses, minority-owned and woman-owned businesses). However, the FCC's current proposal would force rural telephone companies to compete with anyone who is able to classify themselves as one of the other protected entities. Under this proposal, there is a likelihood that groups identifying themselves as small or minority/woman-owned businesses may form consortiums with large companies, and take advantage of their protected status to outbid rural telephone companies. Of course, these other entities will primarily be interested in serving urban areas within each PCS service area, leaving rural America unserved. RMTA and WRTA have filed comments in the FCC's rulemaking proceeding that will decide the spectrum auction procedures (PP Docket No. 93-253). These comments include the following specific proposals to ensure that rural Americans can share in PCS and other new radio services:

- a. The FCC should award rural telephone companies majority control of PCS Block C (the 20 MHz block), leaving the high bidder for that block with a 49 percent interest, so that the parties can form a consortium that will ensure that PCS service would be extended to rural areas promptly; or
- b. As an alternative proposal, the FCC would require the high bidder for one frequency block to share the spectrum with rural telephone companies. The high bidder would be required to either use "microcell technology", so as to prevent interference to neighboring rural communities using the same frequencies, or to reach an agreement with neighboring rural telephone companies to operate their systems jointly. The high bidder and the telephone companies would split the bid amount on a pro rata basis according to population.

c. The FCC should create financial incentives to encourage other PCS applicants to include rural telephone companies in their consortium. Applicants which offered to include all of the rural telephone companies within their service area could be entitled to some of the rural telephone benefits discussed below, as well as a reduced mandatory coverage requirement (since the telephone companies would be responsible for extending coverage to rural areas).

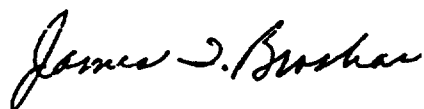
d. Other protections recommended for rural telephone companies, small businesses, and minority/woman-owned businesses include: (i) the use of bid multipliers so that each dollar bid by a protected group counts for more; (ii) the use of extended payment schedules and royalty payments, so that these groups can increase their bid by making time payments; (iii) issuing tax certificates to encourage higher bids; and (iv) the acceptance of part of the bid in the form of royalties from system revenues.

The FCC proposes to require large bid deposits, and applicants may have to forfeit this large bid if there are any mistakes in their PCS applications. These requirements should not be applied to rural telephone companies, since smaller carriers may be precluded from submitting a bid.

The FCC will be accepting comments on this matter through November 24, 1993, and will vote on auction rules shortly thereafter. Therefore, it is urgently requested that you promptly contact the FCC to express your support for the specific proposals of the Western Alliance.

Sincerely,

Rocky Mountain
Telecommunications
Association



James I. Broshar
Exec. Vice President

Sincerely,

Western Rural
Telephone
Association



Dolores L. Donnelly
Exec. Vice President
Director